

THE MINERAL INDUSTRIES OF THE BALTIC STATES

ESTONIA, LATVIA, AND LITHUANIA

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ESTONIA

Estonia is a gateway between East and West and enjoyed a free-market-based economy that continued to grow. The gross domestic product (GDP) based on purchasing power parity was 6.2% in 2004. The per capita GDP based on purchasing power parity of \$15,217 was the highest among the Baltic States. Inflation inched up to 3% (International Monetary Fund, 2005¹). The privatization of state-owned enterprises was completed with the Government controlling only the Port of Muuga and the main powerplants. Oil shale was mined from locally available mineral resources and supplied more than 90% of the country's electricity needs. Alternative energy sources, such as biomass, peat, and wood, provided about 9% of energy production. Estonia imported petroleum products from Russia and Western Europe. The Port of Muuga near Tallinn featured an adequate transshipment capability. Estonia formally joined the European Union (EU) on May 1, 2004. Membership could affect Estonia's GDP, exports of merchandise and services, and inflow of foreign investment.

Large amounts of Russian oil moved to Europe through terminals in and near Tallinn. Throughputs rose to more than 150,000 barrels per day (bbl/d) in 2003 (the latest year for which data are available). Capacity of the Baltic Pipeline System from Polotsk, Belarus, to the Baltic Sea ports expanded from the initial 240,000 bbl/d to 360,000 bbl/d in July 2003 to 600,000 bbl/d at yearend 2003 and to 840,000 bbl/d in March 2004. Plans called for additional boosting to 1.2 million barrels per day in 2005. The Baltic Sea ports accounted for more than one-half of Russia's seaborne crude oil exports in 2004 (Oil & Gas Journal, 2004).

Reference Cited

Oil & Gas Journal, 2004, Baltic exports of Russian crude threaten dominance of Black Sea routes: Oil & Gas Journal, v. 102, no. 23, June 21, p. 53.

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LATVIA

Latvia's economic growth rate in terms of GDP based on purchasing power parity was 8% in 2004. The per capita GDP based on purchasing power parity increased to \$11,845. Inflation remained high at 6.3% (International Monetary Fund, 2005¹). All state-owned small- and medium-sized companies, except the electric utility, the railway company, and the postal system, were privatized. Latvia was an important East-West commercial and trading center. Agricultural products, paper, textiles, and timber accounted for Latvia's main exports to Estonia, Germany, Lithuania, Sweden, and the United Kingdom. Latvia imported mostly chemicals, energy, and food products from neighboring countries (Estonia, Finland, Germany, Lithuania, and Russia). The country has been a member of the World Trade Organization since 1999. Latvia's mineral production included gypsum, limestone, peat, and sand and gravel.

The Government issued new regulations with respect to creating a united information exchange system in the energy sector. These regulations provide the order in which information regarding energy resources and supply will be codified and evaluated, which will secure an optimal balance of energy supply and demand, management, and prevention of energy crisis, and will set guidelines for the liquidation and overcoming of such a crisis. The Ministry of Economics will supervise the database. The Ministry of the Interior and the Regulator of Public Services also would provide relevant information for the database (Oil, Gas & Energy Law Intelligence, 2003¹).

During expansion of the Baltic Pipeline System, Latvia's Port of Ventspils suffered from falling throughputs to Europe by pipeline and had to rely on deliveries by rail, which averaged 66,000 bbl/d of crude oil in 2003. The ice-free port was the largest by volume in Latvia and had the largest crude oil terminal in the Baltic Sea. It had a capacity of 75 million metric tons and handled chemical goods, crude oil, general cargo, petroleum products, and potash. Crude oil and petroleum products accounted for 65% of its throughputs in 2003 (Oil & Gas Journal, 2004).

Latvijas Gaze was considering increasing the capacity of its Incukalna gas storage unit to 6.3 billion cubic meters at a cost of \$100 million. The present (2004) capacity of the facility was 4.45 billion cubic meters, of which only 2.3 billion cubic meters was usable. The decision was based on a possible project to supply gas from Incukalna to southern Finland. The company planned to invest \$240 million in infrastructure development in the next 5 years to increase the reliability of gas supply. Latvijas Gaze applied to the Regulator of Public Services for an increase in gas tariffs for 2005 (Platts, 2004¹).

¹References that include a section mark (§) are found in the Internet Reference(s) Cited sections.

Reference Cited

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Oil, Gas & Energy Law Intelligence, 2003 (January), Energy information regulations, Latvia, accessed November 2, 2004, at URL http://www.gasandoil.com/ogel/samples/freearticles/practitioner_13.htm.

Platts, 2004 (December 6), Latvia's Latvijas Gaze mulls gas storage capacity increase, accessed December 6, 2004, at URL http://www.platts.com/natural_gas/news/7047057.xml?s=n.

LITHUANIA

In 2004, Lithuania's GDP based on purchasing power parity increased by 6.6%. Consumption was the principal driving force of the country's economic growth. Inflation was low at 1.2%; the budget deficit, however, increased to 7.1% of GDP (International Monetary Fund, 2005§). Deregulation and privatization of such entities as the national gas and power companies was completed. Lithuania joined the EU on May 1, 2004. Exports to the EU countries were 71% of Lithuania's total, and those to the Commonwealth of Independent States were only 16%. Exports to the United States made up 4.7% of Lithuania's exports.

A law on energy, which became effective in July 2002, set up the legal preconditions for effective management of the energy sector and liberalized the market for energy production, transmission, and distribution, thereby increasing the energy sector's competitiveness. Powers of a general nature are vested in the Government, and ministerial powers are provided to the Energy Agency, which is the special institution established by the Ministry of Economy (Oil, Gas & Energy Law Intelligence, 2003§).

Yukos Oil Company of Russia owned a 53.7% controlling interest in Lithuania's Mazeikiu Nafta, which had a 15-million-metric-ton-per-year (Mt/yr) refinery with 3,500 workers, a petroleum products export terminal, and a pipeline. The refinery took 25% of Yukos' Russian oil output and accounted for 100% of the domestic gasoline market and more than 80% of the market in both Estonia and Latvia. The refinery planned to spend \$400 million by 2009 to upgrade the plant to meet EU fuel specifications. The Butinge export terminal had a capacity of 14 Mt/yr. A 500-kilometer crude oil and refined products pipeline connected the terminal with Polotsk in Belarus. The Government (40.66%) and minority shareholders (5.64%) held the remaining shares. The Government might consider buying back Yukos' stake in the company. Yukos indicated that it was not interested in selling its stake. Conversion of some of the storage tanks at the Port of Klaipeda to allow transfer of crude oil and petroleum products was planned by Yukos (Petroleum Economist, 2004).

Lietuvos Dujos of Lithuania asked JSC Gazprom of Russia to consider temporarily supplying gas through Latvia rather than Belarus. The company had a long-term agreement with Gazprom to supply more than 2 billion cubic meters of gas for a 10-year period that would end in 2014. Gazprom paid \$37 million to secure a 34% stake in Lietuvos Dujos. E.ON Ruhrgas AG and E.ON Energie AG of Germany held a 35.7% interest. The Government retained a 24% interest, and the remainder was held by individuals (Platts, 2004§).

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TABLE 1
ESTONIA, LATVIA, AND LITHUANIA: PRODUCTION OF MINERAL COMMODITIES¹

(Metric tons unless otherwise specified)

Country and commodity	2000	2001	2002	2003	2004
ESTONIA					
Cement	329,100	404,600	466,000	506,200	615,000
Clays:					
For brick thousand cubic meters	97,200	119,800	149,200	134,900	136,600
For cement do.	37,700	25,700	19,000	27,300	31,600
Limestone for cement cubic meters	300,000 ^e	300,000 ^e	366,200	372,200	430,500
Nitrogen, N content of ammonia	127,500	150,600	38,700	80,800	166,000
Oil shale thousand tons	11,727	11,837	12,400	12,608	11,327
Peat do.	760	844	1,508	1,012	764
Sand and gravel thousand cubic meters	1,247	1,325	2,033	4,470	3,131
Silica sand, industrial do.	39,600	31,600	22,500	41,300	49,800
LATVIA					
Cement	W	W	260,397	295,205	283,647
Gypsum	W	W	217,074	159,133	225,742
Limestone	W	W	393,285	431,590	443,987
Peat	456,456	555,003	1,484,970	1,076,142	689,415
Sand and gravel	790,257	688,904	761,614	1,981,431 ^r	1,413,439
Steel:					
Crude	500,292	W	507,194	545,626	553,684
Products	549,334	W	W	W	W
LITHUANIA²					
Cement	569,500	529,100	605,800	596,900	753,100
Limestone	783,300	894,000	984,300	944,600	1,385,600
Nitrogen, N content of ammonia	509,900	443,800	468,300	461,800	424,000
Peat	245,500	273,000	513,000	366,900	367,900
Petroleum:					
Crude	317,900	470,000	433,700	382,800	301,900
Refinery products	4,658,200	6,543,500	6,447,700	6,703,000 ^r	7,682,600

^eEstimated; estimated data are rounded to no more than three significant digits. ^rRevised. W Withheld to avoid disclosing proprietary data.

¹Table includes available data through October 18, 2005.

²Lithuania produces other industrial minerals, which include clays and sand and gravel; consistent data for deriving a multiyear production series are unavailable.